Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Message Text

PAGE 01 DACCA 04588 160316Z

70
ACTION TRSE-00

INFO OCT-01 EA-11 NEA-10 ISO-00 IO-14 H-03 L-03 PRS-01

PA-04 USIA-15 CEA-02 SPC-03 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 SS-20 STR-08 OMB-01 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

DRC-01 /179 W
---------- 112989
R 160104Z OCT 73
FM AMEMBASSY DACCA
TO SECSTATE WASHDC 1198
AMEMBASSY MANILA

LIMITED OFFICIAL USE DACCA 4588

E.O. 11652: N/A
TAGS: EAID, EFIN, BG
SUBJECT: ADB LOANS AND TA GRANT FOR CHITTAGONG PORT

PASS USADB

REF: MANILA 10191

SUMMARY: WHILE AGREEING WHOLLY WITH RESERVATIONS EXPRESSED BY USADB, MISSION FINDS ADB FINANCING CITTAGONG PORT EXPANSION ON BALANCE ACCEPTABLE. TRAFFIC PROJECTIONS MIGHT BE OPEN TO QUESTION, IN CONTEXT OF DEVELOPMENT OF TRADE WITH INDIA, LARGELY OVER LAND BORDERS. MOST SERIOUS DEFICIENCY IN PROPOSED LOAN IN OUR VIEW IS DIVISION PROCUREMENT BETWEEN SPE-CIAL FUND AND ORDINARY CAPITAL RESOURCES, WHICH WOULD APPEAR TO EXCLUDE US AND OTHER NON-MEMBERS SPECIAL FUND FROM BIDDING ON BIG-TICKET ITEMS AND RESTRICT THEM TO BIDDING ON THINGS LIKE CONSTRUCTION MATERIALS. EMBASSY RECOMMENDS SHIFT OF ITEMS BETWEEN SFR AND OCR TO PERMIT WIDER RANGE OF BIDS ON MORE EXPENSIVE ITEMS, WHICH COULD RESULT IN SAVINGS TO CREDITOR AND
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 02 DACCA 04588 160316Z

BANK.

1. MISSION AGREES FULLY WITH USADB THAT BANK LOANS OF $6.8 MILLION AND TA GRANT $160,000 TO INCREASE CARGO-HANDLING CAPA-

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

BILITIES CHITTAGONG PORT REPRESENT IMPORTANT HIGH-PRIORITY PROJECT WHICH ON BALANCE US SHOULD SUPPORT.

2. WITH SAME MEASURE OF STRENGTH, WE ALSO SHARE USADB'S MISGIVINGS RE EXISTING TARIFF STRUCTURE IN PORT AND FINANCIAL MANAGEMENT SYSTEM GENERALLY. ENDORSE USADB PLAN TO EMPHASIZE TO BANK AT BOARD MEETING THE IMPORTANCE IN EXTENSIVE LOAN, IN OBTAINING FROM BDG ASSURANCE OF EFFECTIVE CORRECTIVE ACTION, FOLLOWED IMPLEMETATION THEREOF.

3. FINANCIAL ANALYSIS IN LOAN PAPER STRIKES US, AS IT DOES USADB, AS OPEN TO SOME QUESTION. PARTICULARLY NOTE PROJECTION OF TRAFFIC IN POST OF PERIOD NEXT FIVE YEARS (PAGES 19-20), WHICH IS BASIS FOR INCOME PROJECTION. WE DO NOT ENVISION THAT SPECIAL JETTIES SERVING GRAIN SILOS, TSP PLANTS AND CEMENT FACTORY WILL BE HANDLING PROGRESSIVELY LESS TONNAGE PER YEAR, AS LOAN PAPER SUGGESTS. DOUBT THAT FOODGRAIN IMPORTS WILL DESCEND TO ZERO BY FY 76, THOUGH THIS IS UNDERSTOOD TO BE STATED OBJECTIVE YET UNRELEASED FIVE YEAR PLAN. ROCK PHOSPHATE, SULPHUR, CLINKER IMPORTS SHOULD GO UP, NOT DOWN; VERY LITTLE NOW ARRIVING IN THESE CATEGORIES BECAUSE OF VARIOUS DIFFICULTIES, WHICH HOPEFULLY BY FY 76 WILL BE AT LEAST IN PART OVERCOME.

4. WHILE SPECIAL JETTY TRAFFIC MAY NOT DECLINE AS PROJECTED, INCREASE IN GENERAL JETTY TRAFFIC - A LARGER FACTOR AND MORE DIRECTLY CONTRIBUTORY TO INCOME CHITTAGONG PORT TRUST - MIGHT BE LESS THAN EXPECTED, OR MORE. MUCH WILL DEPEND ON EMERGING PATTERN TRADE WITH INDIA, VIA ROAD, RAIL, AND INLAND WATERWAYS WAS WELL AS BY SEA. VOLUME BD-INDIA TRADE OVER LAND BORDER ESTIMATED I LOAN PAPER AS RANGING FROM 500,000 TONS FY 74 TO 700,000 TONS FY 78 (COMPARED WITH TOTAL FOREIGN TRADE, LARGELY THROUGH PORTS, OF 7.78 MILLION TONS FY 74 TO 9.50 MILLION TONS FY 78). THIS APPEARS TO US VERY LOW, CONSIDERING RE-OPENED TRADE RELATIONS WITH INDIA, BOTH LEAGAL AND NOT. ROAD TRAFFIC HAS RESUMED BETWEEN TWO COUNTRIES, AND ROGRESSIVELY ENLARGED RAIL AND WATER CONNECTIONS ARE BEING WORKED OUT. IF TRADE ACROSS LAND BORDER REACHES POTENTIAL IN NEXT FIVE YEARS AND INDIA FULLY
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

REPLACES OR SURPASSES (WEST) PAKISTAN AS MAIN SOURCE SUPPLY AND MARKET FOR FORMER EAST PAKISTAN, TRAFFIC VIA SEAPORT CHITTAGONG MAY NOT REPEAT NOT INCREASE AS MUCH AS LOAN PAPER PROJECTS. ON OTHER HAND, IF TRANSIT FACILITIES DEVELOPED TO ENABLE CHITTAGONG TO SERVE ASSAM AND REST NORTH-EASTERN INDIA (NOW DEPENDENT ON CALCUTTA, OVER TWICE AS FAR AWAY), SHORT-FALL IN INCREASE IN GENERAL JETTY TRAFFIC COULD BE MADE UP. AGAIN, AS IN FISHERIES DEVELOPMENT LOAN (DACCA 2581), WE WOULD RECOMMEND CAREFUL CONSIDERATION BY BANK IN LOAN ANALYSES OF EFFECT OF ONE OF MOST IMPORTANT CHANGES IN ECONOMY THIS AREA ARISING FROM INDEPENDENCE -- THE RECONNECTION OF IT WITH INDIAN HINTERLAND.

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

5. ADB ANALYSIS TOUCHES RATHER LIGHTLY ON RELATIONSHIP BETWEEN CHALNA AND CHITTAGONG. BELIEVE THIS OF CRITICAL IMPORTANCE IN CONTEXT OF FEASIBILITY FOR ADDITIONAL JETTIES AND FUTURE ADB LOANS FOR PORT DEVELOPMENT. EAST PAKISTAN/BANGLADESH TRADITIONALLY HAS SEVERE IMBALANCE IN FLOW EXPORTS-IMPORTS BETWEEN TWO PORTS. EVEN WITHOUT DEVELOPMENT OF PORT FACILITIES AT CHALNA, PROPER USE AS LIGHTERAGE PORT AND PROPER TARIFF STRUCTURE WOULD ENCOURAGE MORE BALANCED FLOW OF GOODS IN AND OUT OF TWO PORTS, RELIEVING PRESSURE ON CHITTAGONG AND INTERNAL TRANSPORT SYSTEM. ANALYSIS OF FUTURE REQUIREMENTS CHITTAGONG PORT MUST REPEAT MUST BE BASED ON ASSUMPTION BALANCE BETWEEN TWO PORTS WILL BE RATIONALIZED IN ORDER AVOID SITUATION IN WHICH CAPITAL INVESTMENT SUBSTITUTED FOR SOUND OVERALLY MANAGEMENT AND FINANCIAL POLICIES. FYI AN AID AND PROJECTION APPRAISAL CHITTAGONG PORT CAPACITY, MADE IN ORDER REVALIDATE LOAN FOR JETTIES ONE TO SIX, SUPPORTED NEED FOR JETTIES ONE TO SIX IMMEDIATELY WITH CONSTRUCTION NEW JETTIES 14 TO 17 FOLLOWING RIGHT AFTER COMPLETION ONE TO SIX. END FYI.

6. CREDIT FOR CHITTAGONG PORT DIVIDED $3.6 MILLION FROM ORDINARY CAPITAL RESOURCES OF BANK (OCR) AND $3.2 MILLION FROM SPECIAL FUND RESOURCES (SFR). SIDE LETTER NUMBER 1 ALLOCATES PROCEEDS TO VARIOUS PROCUREMENT UNDER TWO CATEGORES. BASIS OF ALLOCATION NOT EXPLAINED. ALLOCATION HOWEVER APPEARS TO PUT NON-CONTRIBUTORIES TO SPECIAL FUND LIKE U.S. AT DISADVANTAGE IN BIDDING TO SUPPLY BID-TICKET ITEMS. TWO LARGEST SINGLE ITEMS - RAIL TRACK AT $1.84 MILLION AND TUGBOAT AT $0.95 MILLION - ARE TO BE FINANCED UNDER SFR, EXCLUDING POSSIBLE US BIDS. OF OCR - FINANCED ITEMS, ONLY CARGO HANDLING EQUIPMENT - AT $1.32 MILLION FOR EIGHT DIFFERENT CATEGORIES - AND ENGINEERING SERVICES -
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

$0.33 MILLION - MIGHT BE SUPPLIED BY US. REMAINING ITEMS UNDER OCR - CONSTRUCTION MATERIAL FOR FIVE TRANSIT SHEDS AT $1.42 MILLION - MIGHT BE TRANSFERRED TO SFR IN EXCHANGE FOR TUG BOAT AND IF FEASIBLE PART OF RAIL TRACK. THIS WOULD ENABLE CREDITOR TO GAIN WIDER RANGE BIDS ON BIG-TICKET ITEMS, AT POSSIBLE SAVINGS, IN LIEU OF RESTRICTION OF BIDDING TO SPECIAL FUND MEMBERS. AT PRESENT, ALLOCATION OF THESE TO SFR MIGHT BE HELD BY SOME TO FAVOR INEQUITABLY SOURCING FROM PREPONDERANT SUPPLIER GOODS AND SERVICES IN ADB, JAPAN. SWITCH OF FINANCING, BETWEEN SFR AND OCR HOWEVER, WOULD NOT PREJUDICE JAPANESE BIDS, SIMPLY WOULD INSURE BEST DEAL FOR CREDITOR AND BANK. MISSION WOULD APPRECIATE COMMENT ON FOREGOING PROPOSAL.

7. ALSO WITH RESPECT TO GAINING A FAIR COMPETITIVE POSITION FOR US SUPPLIERS, MISSION WOULD LIKE TO BE INFORMED HOW LISTS OF ELIGIBLE CONSULTANTS WHICH BDG IS TO DRAW UP FOR TA GRANT FINANCING ARE REVIEWED BY BANK AND HOW, IF AT ALL AN EQUITABLE SPREAD OF COUNTRY-REPRESENTATIVE FIRMS IS GUARANTEED.

8. RE AID LOAN CONTRIBUTION TO CHITTAGONG PORT DEVELOPMENT, ADB

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

APPRAISAL ON PAGE 14 ACCURATELY REFLECTS AID PRE-LIBERATION
INVOLVEMENT PORT. AID DID NOT REVIVE PROJECT AFTER LIBERATION AS
IT DID NOT FIT INTO REHABILITATION CONTEXT FOR WHICH APPRO-
PRIATED FUNDS AVAILABLE. LIKEWISE, DO NOT EXPECT RENEWAL AID IN-
TEREST IN PORT DUE DESIRE CONCENTRATE DEVELOPMENT ASSISTANCE
PROGRAM ON AGRICULTURAL AND RURAL DEVELOPMENT. WHICH STRESS AID
HAS MADE NO REPEAT NO INPUT FUNDS OF ANY SORT SINCE LIBERATION.
AID FINANCED EQUIPMENT OF COURSE AVAILABLE FOR WORK. ANY
LOCAL CURRENCY BALANCES AVAILABLE FOR PROJECT FROM PRE-LIBERATION
PERIOD WOULD HAVE BEEN GOVERNMENT FUNDS AS AID WAS NOT FINAN-
CING LOCAL COSTS. DO NOT THEREFORE UNDERSTAND REFERENCE TO AID
FUNDS IN TABLE 9 PAGE 41 OF APPRAISAL REPORT.
NEWBERRY

LIMITED OFFICIAL USE

<< END OF DOCUMENT >>

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Message Attributes

Automatic Decaptioning: X
Capture Date: 11 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DEVELOPMENT LOANS, TECHNICAL ASSISTANCE GRANTS, PORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 OCT 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973DACCA04588
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: n/a
From: DACCA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731065/abqceetn.tel
Line Count: 178
Locator: TEXT ON-LINE
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: MANILA 10191
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 04 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04-Dec-2001 by cunninfx>; APPROVED <21-Dec-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ADB LOANS AND TA GRANT FOR CHITTAGONG PORT
TAGS: EAID, EFIN, BG, ADB
To: STATE
MANILA
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005